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# THE FARM CREDIT COUNCIL

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Statement by M. Wayne Lambertson  
Vice Chairman, The Farm Credit Council Board of Directors  
Before Farm Credit Administration Meeting on  
Farm Credit System Service to Young, Beginning and Small Farmers  
Kansas City, Missouri  
November 13, 2002

Thank you for the opportunity to testify today regarding Farm Credit System activities in support of young, beginning and small farmers. I am Wayne Lambertson a farmer from Pocomoke City, Md. I am a member/borrower and director of Mid Atlantic Farm Credit, ACA and a director of AgFirst, Farm Credit Bank. I also serve as Vice-Chairman of the Farm Credit Council, the national trade association for the System.

I will address the System's YBS programs from two perspectives -- first as a System director, and second, from a personal point of view, as someone who was a young farmer once and who now has young family members joining me in my farming operation.

Since it was established in 1916, the Farm Credit System's mission has been to serve all types of agricultural producers who have a basis for credit. Our objective is to help improve their income and well being by providing sound, adequate and constructive credit. Congress at times has adjusted the System's authorities expanding whom we can serve and the products we can provide. However, overall, they expect us, using the authority they already have provided, to adjust the System's operations so we can continue to meet the needs of agricultural producers as they have changed.

There is no doubt that since 1916 American agriculture has changed. The number of Americans who live and work on farms has declined significantly, agricultural productivity has skyrocketed and we have seen U.S. agriculture increasingly split between smaller operations and large, highly mechanized, technology-driven operations that are competing in a world marketplace. The change has worked to the benefit of the American consumer ensuring them the highest quality food and fiber at low prices. But the change also deeply impacted the economics of farming creating significant implications for what it takes to survive in agriculture.

The issues surrounding young, beginning and small farmers are extremely complex. Young people in rural areas today are better educated. They know farming is a high-risk and demanding occupation. They have opportunities available to them outside of their local community. Perhaps that is why so many of our rural high school graduates go to college, get degrees in agriculture, but take jobs with agri-business firms located in the city.



For farming to be an attractive career choice for a young person, there needs to be a return on investment that makes economic sense. Often a young couple that wants to remain on the farm, or return to the farm, finds that at least one of them must seek off-farm employment to provide a regular cash flow or to ensure that they have access to affordable health insurance benefits. In many of these situations, especially if they are just getting started, that off-farm income will exceed their farm-income. As a System institution, we can have the most effective credit and outreach programs to serve these individuals, but we will never be able to address the basic issue that is critical to whether a young farm family will survive in agriculture – that is, having sufficient income.

As you study the needs of young, beginning and small farmers, it is important to recognize that generalization will get you in trouble. You must recognize that each individual customer is truly unique with his or her individual circumstances. Not all beginning farmers are either young or small. Some beginning farmers have significant off-farm income on which they can rely, and many young farmers we see are not necessarily beginning at all because they have been working on their parents or other operations for years. Many farmers who fit the definition of “small” today are on track to become larger, while other small farmers are happy with the current size of their operation and happy to supplement their farm income if need be with income from off-farm businesses, employment or investments.

As a System director, I want our association to grow, prosper and to be successful. This is how I can help ensure that it will be there to serve agriculture in the future. The next generation of agricultural producers need to have available to them a dedicated source of credit that understands their needs and their unique circumstances. When young, beginning and small farmers borrow from Farm Credit they also get the added bonus of being an owner of the business. As a cooperative, these borrowers get to elect the directors of their institution and they stand to gain financially when we pay out our profits through patronage.

At Mid-Atlantic Farm Credit, we are serving the young, beginning and small producers of our area. We have today over \$195 million in loans outstanding to more than 2,300 young farmers, over \$330 million in loans to over 3,700 beginning farmers and almost \$550 million of loans outstanding to over 7,800 small farmers. In addition, we support youth activities in our communities such as 4-H and FFA, we support education leadership programs for young producers and we aggressively market our products to YBS customers. We do this because it makes good business sense to do so. And we do it because as directors and as cooperative owners of this institution, seeing to it that the next generation is successful is a very personal thing, because that next generation is comprised of our sons and daughters.

That is certainly the case in my own operation. I got my start in agriculture when my father cosigned my note with the Farm Credit System about thirty-two years ago. We went to Farm Credit because a System credit officer made the effort to visit our farm. They reached out to us and we remembered that. But I also got my first loan with Farm Credit because the local commercial bank was unwilling to take a chance on lending me money even if my father cosigned my note.

Just like my father did for me, I have cosigned a Farm Credit loan for my two sons so they could put up their own poultry houses and join in our farming operation. The System approached this transaction looking to ensure that it was secure and sound, that it was constructive credit, and that there was a good chance it was going to be repaid. That is how it has always been and that is how it should continue to be if Farm Credit is going to be around for another 86 years serving agriculture. FCA imposing quotas, establishing success measurements, requiring complex marketing studies would have made no difference as to whether these two young farmers got credit. What those things would likely do is unnecessarily increase their cost of credit. I urge you not to move in that direction.

Thank you for having this hearing. We appreciate you taking an interest in how we can work together to better serve young, beginning and small farmers. Farming is a high-risk capital intensive business. That means farmers must have a strong balance sheet, with adequate owner equity to withstand the ups and downs. As you evaluate YBS strategies, I urge you to emphasize that credit is only a tool. Without adequate equity, and demonstrated earnings, providing loans to YBS customers will not be in anyone's best interest.

Let me close by simply repeating what I had said earlier -- as owners of this System, Farm Credit directors are committed to seeing to it that the Farm Credit System remains in place to serve the next generation of farmers. We will accomplish that goal by serving all of agriculture, including YBS customers, with sound and constructive programs. Thank you.